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UNCLAS SECTION 01 OF 02 SANTIAGO 000816

STATE FOR WHA/BSC-LCATO, WHA/EPSC-FCORNEILLE, EEB/IFD/ODF
TREASURY FOR MATT MALLOY

SENSITIVE

SIPDIS

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SUBJECT: TREASURY A/S LOWERY AND CHILEAN MINISTER OF PUBLIC WORKS
BITAR AGREE TO JOINT TECHNICAL COOPERATION

11. (SBU) SUMMARY: Treasury A/S Lowery and Minister of Public Works Sergio Bitar agreed, September 1, to a joint-effort on helping countries throughout Latin American and the Caribbean build infrastructure. A/S Lowery proposed an Infrastructure Finance Expert Corps that would draw from U.S. and Chilean experts to provide technical cooperation on infrastructure development in the region. Minister Bitar noted Chile's serious interest in working with the U.S. in this area, and suggested selecting a test project for the new effort. A/S Lowery presented a working paper and asked that the U.S. Treasury and Chilean Ministry of Public Works follow up at the working level. END SUMMARY.

Proposal For Joint Infrastructure Finance Expert Corps

12. (U) U.S. Treasury A/S Clay Lowery, Treasury DAS Brian O'Neill, Ambassador Paul Simons, and Econoff attended a meeting, September 1, with Chilean Minister of Public Works Sergio Bitar, Coordinator for Public Infrastructure Projects Gonzalo Cordua, International Coordinator Rigoberto Garcia, and Legal Advisor Jose Antonio Ramirez.

13. (SBU) A/S Lowery opened the meeting by thanking Chile for its work providing technical assistance to its neighbors in Latin American and the Caribbean. He noted the U.S. also provided such assistance through resident advisors, currently embedded in the Central Banks or Finance Ministries of six countries in the region. In a meeting last year, the U.S. and Chile had discussed the idea of combining efforts to tap into the GOC's experience with Public Private Partnerships (PPP's) and U.S. Treasury's experience helping countries finance infrastructure projects.

14. (SBU) A/S Lowery proposed the U.S. and Chile form an "Infrastructure Finance Expert Corps," (IFEC) which would consist of U.S. and Chilean public and private sector specialists. The specialists would provide technical assistance to central and municipal governments in the region by evaluating PPP proposals dealing with infrastructure projects. DAS O'Neill added that the U.S. Treasury consistently heard pleas from Ministers of Finance in the region for help (both process-oriented and financial) in building public infrastructure. The IFEC would allow the U.S. and Chile to combine forces, bringing technical cooperation, financing, and human resources in one package to countries throughout Latin American and the Caribbean.

Agreement To Build Infrastructure Capacity Together

15. (SBU) Minister Bitar agreed to the proposal, emphasizing the GOC wanted "very much" to participate in this joint-effort. He noted many countries, including Peru, Colombia, and Brazil, had come to Santiago to solicit expertise on PPP's. The GOC was working on a

conference on this topic, to be held in December, with the UN Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL). Bitar wondered if the U.S. Treasury could send an expert to the conference. He also suggested the new U.S.-Chile joint effort could begin by picking a test project.

¶6. (SBU) Bitar said Brazil was keen on the idea of a railway linking the Brazilian port of Santos with the Chilean port of Antofagasta, to help build regional cooperation on infrastructure. However, he noted that because the railway could go through several countries, it might be easier to start with a simpler proposal, such as a small to medium size national project. DAS O'Neill noted the initial U.S. reaction was the same. A/S Lowery presented a working paper to the Minister, and proposed the Ministry of Public Works follow up with Treasury at the staff level, and then agree on an initial project.

Requirements for Successful Projects

¶7. (SBU) Minister Bitar saw increasing regional interest in expanding infrastructure, but it required 6 elements: 1) a system of project design and capacity to negotiate with the private sector, 2) an institutionalized system capable of building infrastructure, including dispute resolution, 3) a financial system that worked, 4) big companies willing to invest in a project, 5) a sustained effort of investing in infrastructure, and 6) engineering knowledge. DAS O'Neill noted the U.S. shared this point of view. The biggest bottleneck was developing new projects and bringing them to market.

Possible New Chilean Solar Energy Project

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¶8. (SBU) Bitar ended the meeting by noting the GOC was looking at a new project on renewable energy. His Ministry had requested a mandate from the Ministry of Energy to use 200 acres of land in the north for a solar energy project, which would be the first of its kind in Chile. Ambassador Simons added there had been lots of interest in solar power generated from the California-Chile project, but it was critical to attract U.S. companies with the appropriate technical knowledge to Chile.

SIMONS